



CONGRESSMAN  
**FLOOD**

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## Understanding the Connecting with Small Businesses Act

**Summary of this Bill:** The Connecting Small Businesses with Capital Act would require the Small Business Administration (SBA) to develop and disseminate educational resources on the Securities and Exchange Commission's (SEC) Regulation CF and Rule 504 of Regulation D. Regulation CF was created by the JOBS Act of 2012, a bipartisan law written by then-Majority Leader Eric Cantor and signed by President Obama.

**What is Regulation CF?** The JOBS Act required the SEC to create regulations related to public crowdfunding. In response, the SEC finalized Regulation CF in 2016. Regulation CF created an exemption from SEC registration for certain internet-based securities.

**What is Rule 504 of Regulation D?** Regulation D is the most frequently used exemption under securities law for unregistered securities. Regulation D has two rules, 504 and 506. Regulation 504 allows for private offerings of up to \$5 million in a 12-month period.

**Lack of Small Business Participation:** While these regulations are intended to help small businesses raise capital, utilization of these regulations—particularly crowdfunding—has lagged in some parts of the country. According to a report by the Office of the Advocate for Small Business Capital Formation, Nebraska had zero businesses raise capital through Regulation CF in FY 2021.

Small businesses across Nebraska have a relationship with the SBA and its resource partners. This puts the SBA in a good position to help educate small businesses on opportunities to raise capital within securities law. The Connecting Small Businesses with Capital Act will allow small businesses to utilize more avenues to raise capital and grow their companies